

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name South Haven & Casco Twp Water and Sewer	County Allegan & Van Buren
Fiscal Year End June 30, 2006	Opinion Date December 22, 2006	Date Audit Report Submitted to State February 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

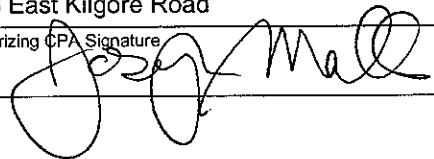
YES
☒ NO
☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	
		License Number 1101013696	

South Haven Township and Casco Township
Water and Sewage Treatment Authority
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
South Haven Township and Casco Township
Water and Sewage Treatment Authority**

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the remaining fund information of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The South Haven Township and Casco Township Water and Sewage Treatment Authority has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the South Haven Township and Casco Township Water and Sewage Treatment Authority's basic financial statements. The supplementary data, as listed in the contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

December 22, 2006

BASIC FINANCIAL STATEMENTS

South Haven Township and Casco Township Water and Sewage Treatment Authority

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 443,808
Receivables, net	<u>738,739</u>
Total current assets	<u>1,182,547</u>
Noncurrent assets:	
Receivables, net	5,121,356
Deferred charges	170,405
Capital assets, net of accumulated depreciation	<u>23,900,577</u>
Total noncurrent assets	<u>29,192,338</u>
Total assets	<u>30,374,885</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	218,891
Current maturities of long-term debt	<u>1,125,000</u>
Total current liabilities	1,343,891
Noncurrent liabilities - long-term debt	<u>23,166,770</u>
Total liabilities	<u>24,510,661</u>
NET ASSETS	
Invested in capital assets, net of related debt	158,266
Restricted for public works	469,983
Restricted for debt service	<u>5,235,975</u>
Total net assets	<u>\$ 5,864,224</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority

STATEMENT OF ACTIVITIES

Year ended June 30, 2006

	<u>Governmental activities</u>
EXPENSES	
Public works	\$ 680,337
Interest	<u>1,138,690</u>
Total expenses	<u>1,819,027</u>
PROGRAM REVENUES	
Customer charges	1,251,885
Fees and permits	7,530
Special assessments	623,739
Interest	<u>343,535</u>
Total program revenues	<u>2,226,689</u>
CHANGE IN NET ASSETS	407,662
NET ASSETS - BEGINNING	<u>5,456,562</u>
NET ASSETS - ENDING	<u>\$ 5,864,224</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING BALANCE SHEET- governmental funds

June 30, 2006

	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
ASSETS			
Cash	\$ 78,441	\$ 341,467	\$ 22,714
Receivables	<u>1,111,373</u>	<u>2,653,397</u>	<u>690,474</u>
 Total assets	 <u>\$ 1,189,814</u>	 <u>\$ 2,994,864</u>	 <u>\$ 713,188</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 39,891	\$ -
Deferred revenue	<u>1,097,108</u>	<u>2,546,905</u>	<u>655,496</u>
 Total liabilities	 1,097,108	 2,586,796	 655,496
 Fund balance:			
Unreserved, undesignated	<u>92,706</u>	<u>408,068</u>	<u>57,692</u>
 Total liabilities and fund balances	 <u>\$ 1,189,814</u>	 <u>\$ 2,994,864</u>	 <u>\$ 713,188</u>

2004 (99)	Nonmajor fund	
Series Fund	Capital projects	Total
\$ 1,186	\$ -	\$ 443,808
<u>934,868</u>	<u>469,983</u>	<u>5,860,095</u>
<u>\$ 936,054</u>	<u>\$ 469,983</u>	<u>\$ 6,303,903</u>
\$ -	\$ -	\$ 39,891
<u>936,054</u>	<u>469,983</u>	<u>5,705,546</u>
936,054	469,983	5,745,437
-	-	558,466
<u>\$ 936,054</u>	<u>\$ 469,983</u>	<u>\$ 6,303,903</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING BALANCE SHEET- governmental funds (Continued)

June 30, 2006

Total fund balances	\$ 558,466
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:	
Interest on special assessments are recorded when billed in the funds, but accrued on the statement of net assets.	165,297
Bond issuance costs are expenditures in the funds, but deferred on the statement of net assets.	170,405
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	23,900,577
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	5,540,249
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(179,000)
Long-term liabilities, including bonds payable and advances from other governmental units, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(24,291,770)</u>
Net assets of <i>governmental activities</i>	<u>\$ 5,864,224</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended June 30, 2006

	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
REVENUES			
Customer charges - debt service	\$ 164,833	\$ 231,805	\$ 200,157
Fees and permits	25,492	573,591	-
Interest	72,526	155,328	48,605
Other - special assessments	141,485	204,992	75,340
	<u>404,336</u>	<u>1,165,716</u>	<u>324,102</u>
EXPENDITURES			
Public works	17,299	24,323	21,004
Debt service:			
Principal	150,000	400,000	305,000
Interest and fees	270,787	518,025	82,900
	<u>438,086</u>	<u>942,348</u>	<u>408,904</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(33,750)</u>	<u>223,368</u>	<u>(84,802)</u>
OTHER FINANCING SOURCES (USES)			
Advances from townships	85,076	119,596	103,284
Operating transfer in	-	-	65,675
Operating transfer out	(44,280)	(148,688)	(26,465)
	<u>40,796</u>	<u>(29,092)</u>	<u>142,494</u>
NET CHANGE IN FUND BALANCES	7,046	194,276	57,692
FUND BALANCES - BEGINNING	<u>85,660</u>	<u>213,792</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 92,706</u>	<u>\$ 408,068</u>	<u>\$ 57,692</u>

2004 (99)	Nonmajor fund	
Series Fund	Capital projects	Total
\$ 63,537	\$ -	\$ 660,332
-	-	599,083
65,385	-	341,844
115,756	-	537,573
<u>244,678</u>	<u>-</u>	<u>2,138,832</u>
7,867	88,056	158,549
200,000	-	1,055,000
234,855	-	1,106,567
<u>442,722</u>	<u>88,056</u>	<u>2,320,116</u>
<u>(198,044)</u>	<u>(88,056)</u>	<u>(181,284)</u>
43,710	-	351,666
74,848	88,056	228,579
(9,146)	-	(228,579)
<u>109,412</u>	<u>88,056</u>	<u>351,666</u>
(88,632)	-	170,382
<u>88,632</u>	<u>-</u>	<u>388,084</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,466</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended June 30, 2006

Net change in fund balances - total governmental funds \$ 170,382

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount of by which depreciation (\$553,339) exceeded capital asset additions (\$31,551) in the current period. (521,788)

Interest on special assessments is recorded when billed in governmental funds, but accrued on the statement of net assets. The increase in interest accrual was as follows. 1,691

Advances from other governmental units provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. (351,666)

Bond issuance costs are recorded as expenditures in the funds when incurred. These costs are expensed over the life of the outstanding bonds in the statement of activities. (40,753)

Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,055,000

Special assessments are not available to pay for current-period expenditures, and are deferred in the funds. This is the net change in the amounts deferred this year. 86,166

Interest on long-term liabilities is recorded when due in the funds, but accrued on the statement of net assets. The decrease in interest accrual was as follows. 8,630

Change in net assets of *governmental activities* \$ 407,662

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Haven Township and Casco Township Water and Sewage Treatment Authority, Michigan (the Authority), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other revenue items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Authority reports the following major governmental funds:

1998 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1998.

2000 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1999.

2004 Refunding Series (1995 & 1997) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1995 and 1997.

2004 Refunding Series (1999) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1999.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Authority considers all receivables to be fully collectible.

iii) Deferred charges - The Authority has elected to prospectively account for bond issuance costs as deferred charges on the statement of net assets, and to amortize these costs over the life of the related long-term liabilities.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Authority elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Water distribution system	50 years
Sewage collections system	50 years

The water distribution and sewage collection systems include both capitalized interest and purchased capacity fees, which will be depreciated over the life of the systems.

v) Deferred revenue - In the fund financial statements, deferred revenue currently consists of amounts unavailable for revenue recognition, in that these amounts are not expected to be received within 60 days of the end of the fiscal year.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - CASH:

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2006, \$346,381 of the Authority's bank balances of \$446,381 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - RECEIVABLES:

Receivables as of year end for the Authority's individual funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Total</u>
1998 Series	\$ -	\$ 14,265	\$ 1,097,108	\$ 1,111,373
2000 Series	11,331	20,061	2,622,005	2,653,397
2004 Series (1995 & 1997)	-	23,700	666,774	690,474
2004 Series (1999)	-	10,092	924,776	934,868
Capital projects	-	-	469,983	469,983
Totals	<u>\$ 11,331</u>	<u>\$ 68,118</u>	<u>\$ 5,780,646</u>	<u>\$ 5,860,095</u>
Non-current portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,121,356</u>	<u>\$ 5,121,356</u>

All receivables are considered to be fully collectible.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Water distribution system	\$ 10,747,346	\$ 31,551	\$ -	\$ 10,778,897
Sewage collection system	16,913,006	-	-	16,913,006
Subtotal	<u>27,660,352</u>	<u>31,551</u>	<u>-</u>	<u>27,691,903</u>
Less accumulated depreciation for:				
Water distribution system	(1,166,689)	(215,079)	-	(1,381,768)
Sewage collection system	(2,071,298)	(338,260)	-	(2,409,558)
Subtotal	<u>(3,237,987)</u>	<u>(553,339)</u>	<u>-</u>	<u>(3,791,326)</u>
Total capital assets being depreciated, net	<u>\$ 24,422,365</u>	<u>\$ (521,788)</u>	<u>\$ -</u>	<u>\$ 23,900,577</u>

Depreciation expense was charged to the public works function of the Authority.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES:

Long-term liabilities at June 30, 2006, are comprised of the following individual issues:

Special assessment bonds payable:

\$6,335,000 1998 limited tax general obligation bonds, due in annual installments of \$150,000 to \$600,000 through 2019; interest at 4.25% to 6.25%	\$ 5,635,000
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\$10,390,000 2000 limited tax general obligation bonds, due in annual installments of \$310,000 to \$1,250,000 through 2021; interest at 5.00% to	9,155,000
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\$3,410,000 2004 refunding bond (1995 & 1997), due in annual installments of \$70,000 to \$325,000 through 2017; interest at 2.75% to 4.00%	2,920,000
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\$5,575,000 2004 refunding bond (1999), due in annual installments of \$40,000 to \$480,000 through 2020; interest at 2.00% to 4.10%	<u>5,485,000</u>
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Subtotal	23,195,000
Less unamortized deferred charges	<u>(80,156)</u>

Total bonds payable	<u>23,114,844</u>
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Long-term advances from member townships:

Due to Casco Township	422,697
Due to South Haven Township	<u>754,229</u>

Total long-term advances	<u>1,176,926</u>
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Total long-term liabilities	<u>\$ 24,291,770</u>
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The long-term advances are payable from future cash flows as they become available and are recorded at zero interest.

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
LTGO 1997 series	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
LTGO 1998 series	5,785,000	-	(150,000)	5,635,000	150,000
LTGO 1999 series	150,000	-	(150,000)	-	-
LTGO 2000 series	9,555,000	-	(400,000)	9,155,000	400,000
LTGO 2004 refunding series	3,175,000	-	(255,000)	2,920,000	320,000
LTGO 2004 refunding series	5,535,000	-	(50,000)	5,485,000	180,000
Amounts deferred on refunding	(93,521)	-	13,365	(80,156)	-
Long-term advances	<u>825,260</u>	<u>351,666</u>	<u>-</u>	<u>1,176,926</u>	<u>75,000</u>
Total long term liabilities	<u>\$ 24,981,739</u>	<u>\$ 351,666</u>	<u>\$ (1,041,635)</u>	<u>\$ 24,291,770</u>	<u>\$ 1,125,000</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued):

Debt service requirements for bonds payable at June 30, 2006, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2007	\$ 1,050,000	\$ 1,074,043
2008	1,050,000	1,022,918
2009	1,135,000	970,543
2010	1,205,000	916,905
2011	1,270,000	860,143
2012 - 2016	8,650,000	3,272,024
2017 - 2021	<u>8,835,000</u>	<u>1,198,070</u>
Totals	<u>\$ 23,195,000</u>	<u>\$ 9,314,646</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Fund transfers were made to cover unbonded capital projects costs, and to prevent deficits in various debt service funds.

NOTE 8 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - UNCERTAINTY:

The Authority's cash flows for the year ending June 30, 2006, may not be sufficient to make required debt service payments when they are due. The receipt of revenues beyond current levels is contingent upon additional customer connections and collections, which are not within the Authority's control. Ultimately, any cash shortfall will be payable by the constituent Township's under the terms of their full faith and credit pledges associated with the bond issues.

NOTE 10 - SUBSEQUENT EVENT:

In July 2006, the Authority issued bonds in the amount of \$435,000 for purposes of constructing a water extension. A special assessment district has been established to by the Authority to provide funds sufficient to pay the debt service costs related to this debt.

SUPPLEMENTARY DATA

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES - As allocated to the
Township of South Haven
June 30, 2006

	<u>1998 Series Fund</u>	<u>2000 Series Fund</u>	<u>2004 (95/97) Series Fund</u>
ASSETS			
Cash	\$ 27,393	\$ 138,396	\$ -
Receivables	<u>748,183</u>	<u>1,409,812</u>	<u>373,029</u>
Total assets	<u>\$ 775,576</u>	<u>\$ 1,548,208</u>	<u>\$ 373,029</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 23,935	\$ -
Deferred revenue	<u>741,532</u>	<u>1,325,601</u>	<u>373,029</u>
Total liabilities	741,532	1,349,536	373,029
 Fund balance:			
Unreserved, undesignated	<u>34,044</u>	<u>198,672</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 775,576</u>	<u>\$ 1,548,208</u>	<u>\$ 373,029</u>

<i>2004 (99) Series Fund</i>	<i>Unbonded Construction Fund</i>	<i>Total</i>
\$ 1,186	\$ -	\$ 166,975
<u>934,868</u>	<u>469,983</u>	<u>3,935,875</u>
<u>\$ 936,054</u>	<u>\$ 469,983</u>	<u>\$ 4,102,850</u>
\$ -	\$ -	\$ 23,935
<u>936,054</u>	<u>469,983</u>	<u>3,846,199</u>
936,054	469,983	3,870,134
<u>-</u>	<u>-</u>	<u>232,716</u>
<u>\$ 936,054</u>	<u>\$ 469,983</u>	<u>\$ 4,102,850</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES - As allocated to the
Township of Casco
June 30, 2006

	<u>1998 Series Fund</u>	<u>2000 Series Fund</u>	<u>2004 (95/97) Series Fund</u>
ASSETS			
Cash	\$ 51,048	\$ 203,071	\$ 22,714
Receivables	<u>363,190</u>	<u>1,243,585</u>	<u>317,445</u>
 Total assets	 <u>\$ 414,238</u>	 <u>\$ 1,446,656</u>	 <u>\$ 340,159</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 15,956	\$ -
Deferred revenue	<u>355,576</u>	<u>1,221,304</u>	<u>282,467</u>
 Total liabilities	 355,576	 1,237,260	 282,467
 Fund balance:			
Unreserved, undesignated	<u>58,662</u>	<u>209,396</u>	<u>57,692</u>
 Total liabilities and fund balances	 <u>\$ 414,238</u>	 <u>\$ 1,446,656</u>	 <u>\$ 340,159</u>

<i>Unbonded Construction Fund</i>	<i>Total</i>
\$ -	\$ 276,833
-	<u>1,924,220</u>
<u>\$ -</u>	<u>\$ 2,201,053</u>

\$ -	\$ 15,956
-	<u>1,859,347</u>
-	1,875,303
-	<u>325,750</u>
<u>\$ -</u>	<u>\$ 2,201,053</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - As allocated to the Township of South Haven
Year ended June 30, 2006

	1998 Series Fund	2000 Series Fund	2004 (95/97) Series Fund
REVENUES			
Customer charges - debt service	\$ 76,859	\$ 107,945	\$ 93,256
Fees and permits	20,435	240,448	-
Interest	48,140	72,263	27,658
Other - special assessments	<u>86,578</u>	<u>97,181</u>	<u>37,999</u>
Total revenues	<u>232,012</u>	<u>517,837</u>	<u>158,913</u>
EXPENDITURES			
Public works	9,516	13,365	11,546
Debt service:			
Principal	93,000	140,000	189,100
Interest and fees	<u>167,888</u>	<u>181,309</u>	<u>74,672</u>
Total expenditures	<u>270,404</u>	<u>334,674</u>	<u>275,318</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(38,392)</u>	<u>183,163</u>	<u>(116,405)</u>
OTHER FINANCING SOURCES (USES)			
Advances from townships	52,875	74,260	64,155
Operating transfer in	-	-	65,675
Operating transfer out	<u>(33,548)</u>	<u>(133,578)</u>	<u>(13,425)</u>
Total other financing sources (uses)	<u>19,327</u>	<u>(59,318)</u>	<u>116,405</u>
NET CHANGE IN FUND BALANCES	(19,065)	123,845	-
FUND BALANCES - BEGINNING	<u>53,109</u>	<u>74,827</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 34,044</u>	<u>\$ 198,672</u>	<u>\$ -</u>

<i>2004 (99) Series Fund</i>	<i>Unbonded Construction Fund</i>	<i>Total</i>
\$ 63,537	\$ -	\$ 341,597
-	-	260,883
65,385	-	213,446
<u>115,756</u>	<u>-</u>	<u>337,514</u>
 <u>244,678</u>	 <u>-</u>	 <u>1,153,440</u>
 7,867	 49,174	 91,468
200,000	-	622,100
<u>234,855</u>	<u>-</u>	<u>658,724</u>
 <u>442,722</u>	 <u>49,174</u>	 <u>1,372,292</u>
 <u>(198,044)</u>	 <u>(49,174)</u>	 <u>(218,852)</u>
 43,710	 -	 235,000
74,848	49,174	189,697
<u>(9,146)</u>	<u>-</u>	<u>(189,697)</u>
 <u>109,412</u>	 <u>49,174</u>	 <u>235,000</u>
 (88,632)	 -	 16,148
<u>88,632</u>	<u>-</u>	<u>216,568</u>
 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 232,716</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - As allocated to the Township of Casco
Year ended June 30, 2006

	1998 Series Fund	2000 Series Fund	2004 (95/97) Series Fund
REVENUES			
Customer charges - debt service	\$ 87,973	\$ 123,861	\$ 106,901
Fees and permits	5,057	333,143	-
Interest	24,387	83,063	20,948
Other - special assessments	54,907	107,811	37,341
Total revenues	<u>172,324</u>	<u>647,878</u>	<u>165,190</u>
EXPENDITURES			
Public works	7,783	10,957	9,459
Debt service:			
Principal	57,000	260,000	115,900
Interest and fees	102,899	336,716	8,228
Total expenditures	<u>167,682</u>	<u>607,673</u>	<u>133,587</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,642</u>	<u>40,205</u>	<u>31,603</u>
OTHER FINANCING SOURCES (USES)			
Advances from townships	32,201	45,336	39,129
Operating transfer in	-	-	-
Operating transfer out	(10,732)	(15,110)	(13,040)
Total other financing sources (uses)	<u>21,469</u>	<u>30,226</u>	<u>26,089</u>
NET CHANGE IN FUND BALANCES	<u>26,111</u>	<u>70,431</u>	<u>57,692</u>
FUND BALANCES - BEGINNING	<u>32,551</u>	<u>138,965</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 58,662</u>	<u>\$ 209,396</u>	<u>\$ 57,692</u>

<i>Unbonded Construction Fund</i>	<i>Total</i>
\$ -	\$ 318,735
-	338,200
-	128,398
-	200,059
-	985,392
38,882	67,081
-	432,900
-	447,843
38,882	947,824
(38,882)	37,568
-	116,666
38,882	38,882
-	(38,882)
38,882	116,666
-	154,234
-	171,516
\$ -	\$ 325,750

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 1998 bonds
June 30, 2006

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2007	\$ 261,125	\$ 150,000	\$ 411,125
2008	251,750	150,000	401,750
2009	242,375	185,000	427,375
2010	234,050	200,000	434,050
2011	224,950	250,000	474,950
2012	213,450	500,000	713,450
2013	190,200	600,000	790,200
2014	162,000	600,000	762,000
2015	133,800	600,000	733,800
2016	105,300	600,000	705,300
2017	76,500	600,000	676,500
2018	51,000	600,000	651,000
2019	25,500	600,000	625,500
	<u>\$ 2,172,000</u>	<u>\$ 5,635,000</u>	<u>\$ 7,807,000</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2000 bonds
June 30, 2006

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2007	\$ 489,750	\$ 400,000	\$ 889,750
2008	461,750	400,000	861,750
2009	433,750	400,000	833,750
2010	405,750	400,000	805,750
2011	377,750	400,000	777,750
2012	357,750	400,000	757,750
2013	337,750	400,000	737,750
2014	317,750	400,000	717,750
2015	297,750	450,000	747,750
2016	275,250	500,000	775,250
2017	250,250	600,000	850,250
2018	220,250	750,000	970,250
2019	182,750	1,155,000	1,337,750
2020	125,000	1,250,000	1,375,000
2021	<u>62,500</u>	<u>1,250,000</u>	<u>1,312,500</u>
	<u>\$ 4,595,750</u>	<u>\$ 9,155,000</u>	<u>\$ 13,750,750</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2004 (1995 & 1997) refunding bonds
June 30, 2006

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2007	\$ 97,288	\$ 320,000	\$ 417,288
2008	88,488	325,000	413,488
2009	78,738	325,000	403,738
2010	68,175	305,000	373,175
2011	58,262	305,000	363,262
2012	48,350	305,000	353,350
2013	38,056	300,000	338,056
2014	27,556	295,000	322,556
2015	16,862	295,000	311,862
2016	5,800	75,000	80,800
2017	<u>2,800</u>	<u>70,000</u>	<u>72,800</u>
	<u>\$ 530,375</u>	<u>\$ 2,920,000</u>	<u>\$ 3,450,375</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2004 (1999) refunding bonds
June 30, 2006

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2007	\$ 225,880	\$ 180,000	\$ 405,880
2008	220,930	175,000	395,930
2009	215,680	225,000	440,680
2010	208,930	300,000	508,930
2011	199,180	315,000	514,180
2012	186,580	465,000	651,580
2013	167,980	460,000	627,980
2014	149,580	455,000	604,580
2015	131,380	450,000	581,380
2016	108,880	500,000	608,880
2017	83,880	500,000	583,880
2018	58,880	495,000	553,880
2019	39,080	485,000	524,080
2020	<u>19,680</u>	<u>480,000</u>	<u>499,680</u>
	<u>\$ 2,016,520</u>	<u>\$ 5,485,000</u>	<u>\$ 7,501,520</u>

**Board of Trustees
South Haven Township and Casco Township
Water and Sewage Treatment Authority**

In planning and performing our audit of the governmental activities and the major funds of the South Haven Township and Casco Township Water and Sewage Treatment Authority for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the following conditions are material weaknesses.

- The Authority's manager is primarily responsible for several accounting matters, including: depositing all receipts, invoicing customers, adjusting customer balances, and recording transactions in the accounting records. This condition represents a lack of segregation of duties.
- The Authority does not reconcile special assessment balances and receipts recorded by the Authority and by the member townships at the end of the Authority's and the townships' respective fiscal years. Also, special assessment adjustments are not adequately documented. These conditions represent a lack of basic control procedures.

This report is intended for the information of the Authority Board, management, and the Michigan Department of Treasury.

Siegfried Crandall P.C.

December 22, 2006